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UNCLAS SECTION 01 OF 02 KINSHASA 001704

SIPDIS

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DEPT FOR DRL/IL-LHOST AND AF/RSA-MHARPOLE

E.O. 12958: N/A

TAGS: [EFIN](#) [ELAB](#) [EMIN](#) [EAIR](#) [ECON](#) [PGOV](#) [CG](#)

SUBJECT: DRC OCTOBER MONTHLY ECONOMIC REVIEW

REF: A) KINSHASA 1608

B) KINSHASA 1632

C) KINSHASA 1688

#### Summary

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#### 1. (U)

- During an October visit, an IMF team noted the DRC's growing inflation and Central Bank-financed budgetary overspending.
- The Belgian government will cancel the GDRC's remaining debt once it achieves Highly Indebted Poor Country (HIPC) completion point.
- The employees of the RVA (DRC's airport operating agency) ended their strike, but employees of the SNCC (the DRC's railway authority) remain on strike.
- Gecamines (a DRC mining parastatal) continues its dispute with two foreign mining companies over copper/zinc concession rights in Katanga province.
- According to Post's market basket survey, October consumer prices increased by 5.3 percent over September, with year-to-date cumulative inflation now at 20 percent.
- The Congolese Franc (CF) continues to depreciate, losing 5 percent against the USD in October. End summary.

#### Aviation

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12. (U) Competition from the Spanish/Congolese-owned Bravo Air Congo has driven down passenger airfare prices by 50 percent on several domestic DRC routes. Bravo has not yet started its planned international service.

13. (U) Employees of the RVA (the DRC's airport operator) suspended their strike October 9.

#### Finance

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14. (U) During its October informal Staff-Monitored Program review, the IMF team said it is very concerned about the DRC's worsening macroeconomic situation, noting high GDRC Central Bank-financed over-spending for September and growing inflation, which the team said could reach 30 percent by year's end (reftel A).

¶5. (U) Prior to the October IMF visit, the GDRC took some measures to attempt to slow the DRC's macroeconomic slide. The Central Bank increased interest rates on bank credit and auctioned USD 5 million of foreign exchange. Pursuant to IMF advice, Vice President Jean-Pierre Bemba, who heads the Economic and Financial Commission, reportedly directed the Ministries of Finance and Budget to limit GDRC expenditures to recurrent costs for the remainder of the year.

¶6. (U) The government of Belgium announced it will cancel DRC's remaining USD 400 million in debt owed to Belgium, but that it will not cancel USD 300 million of this amount until the DRC reaches the HIPC completion point (reftel B).

#### Labor

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¶7. (U) The SNCC (DRC's railway parastatal) railway workers' strike that began in July continues, and teachers in SNCC-supported schools have been on strike since August. As a result, food and petroleum product prices continue to increase in the two Kasai provinces of central DRC.

¶8. (U) The DRC's Ministry of Public Administration has suspended paying World Bank-funded severance packages to civil servants who retired between 1985 and 2003, reportedly because the list of payees wrongly includes some active employees and lists some retirees more than once. Further, many retirees are refusing to cash the checks that were issued, in protest over what they say is insufficient compensation. Many expected payments between USD 2000 and 6000 but instead received between USD 200 and 600.

#### Mining

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¶9. (U) Gecamines' (the DRC's copper/cobalt/zinc mining parastatal) dispute continues with South African company Kumba Resources and Canadian company First Quantum (FQ) over rights to the Kipushi zinc-copper mine in Katanga (reftel C). In October, a Belgian court issued an order prohibiting Gecamines from sharing with third parties any confidential information it obtained about Kipushi from FQ.

¶10. (U) Several more diamond miners died in mine cave-ins during October (reftel C).

¶11. (U) The DRC's Ministry of Mines has reportedly licensed a new gold trading-house. The trading-house will be based in Butembo, North Kivu and will have branches in Kinshasa, Beni and Goma, North Kivu, Nairobi and Kampala.

#### Consumer Inflation Rate

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¶12. (U) Post's market-basket survey indicates a 5.3 percent October consumer inflation rate and year-to-date cumulative inflation of 20 percent. Significant increases are in rent, which is paid in USD, clothing, most of which is imported, and locally-produced products such as charcoal and firewood, in part due to the current prohibition on kerosene imports from Angola.

#### Exchange Rates

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¶13. (U) The Congolese Franc (CF) depreciated by nearly 5 percent in October, from 504 to 527 CF/USD, and 22 percent since January, according to the Central Bank's official exchange rate.

Week ending 10/7 10/14 10/21 10/28

Central Bank Rates: 510 513 524 530

Parallel Rates

Kinshasa 515 525 530 540

Lubumbashi 510 520 525 530

Mbuji-Mayi	512	515	525	530
Bukavu/Goma	515	520	530	535
Kisangani	510	515	515	525
Matadi/Boma	485	495	505	525

MEECE